

Management News

BUSINESS CONDITIONS & FORECASTS

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ALVIN E. DODD

The President's Scratch-Pad

The Exodus from Washington

No reference has been made to the subject in the press in any great detail, nor is it reasonable to expect the public to be deeply interested in the circumstances, but no phenomenon of this war era is more instructive and significant in its implications than the reactions of business men to their contacts with Washington.

Since Pearl Harbor and in the "defense era" that preceded our entry into the war, countless business executives have appeared on the Washington scene only to disappear again a few months later. A large number of them are still there, but the group which has left is even larger, and still a third group of problematical size is entertaining thoughts of departure at this moment.

WHERE THE DIFFICULTY LIES

From all the evidence available, it would certainly appear that the management executive is lacking in the type of durability that makes for success as a bureaucrat or a government agency director. He is not lacking in ability, nor in sagacity; but often he does not possess the humility and patience upon which survival in the Washington atmosphere depends, nor the necessary tolerance of red tape. In competition with thick-skinned professional government and "academic" people, business men have shown themselves over-sensitive and fragile.

DISTASTE FOR PLANNING

Fundamental to the comprehension of all this is the fact that business executives have an inherent distaste for public

administration. Planning in the social and political sense is foreign to them, although they are, naturally, no strangers to the down-to-earth planning for definite objectives which is so common in successful enterprise.

The exodus from Washington is most regrettable. Even conceding that management people are, by training and background, unsuited to public administration, this the wrong time for business executives as a body to leave our national government.

THE JOB AHEAD

Granted that the war effort is now mature and the really important development work has been done, it is in the unraveling of the machinery which has been established that business men can render the greatest service to the country and to management.

What happens in the last few months of the war can affect our economic future for years to come. The job of reconversion and demobilization is the payoff.

A great deal has been said and written about the importance of a favorable business "climate" in the postwar period. That climate is in the making right now, since the first cautious steps in the direction of reconversion are already under consideration. If business men leave the government's postwar planning to the professors and the political careerists, it is not likely that they will be satisfied with the results.

Alvin E. Dodd.

TRENDS IN BUSINESS

GENERAL OUTLOOK

With the end of 1943, prognostications are in order, and MANAGEMENT NEWS herewith presents a few from some of the better-known business prophets:

"In 1944 we and our allies shall be victorious in the war with Germany. Labor shortages will probably be serious until Germany is defeated, but will decrease rapidly in importance after that."—The Cleveland Trust Company.

"Any assumptions that the country is past the peak of labor stringency . . . are decidedly premature . . . Not until German armies are in full retreat can there be really substantial cutbacks. Unless they come by March, that will be the first month of the real crisis."—*Business Week*.

"The war news keeps alive the sense that 'anything can happen.' Without counting upon an early German collapse, and without lagging in all-out production . . . business men . . . are looking more and more . . . toward the end of the war."—The National City Bank.

"While the rise in business expenses is now showing signs of halting, it is questionable whether an expansion in business income will be sufficient to permit much of an extension of the current upturn in business profits."—Alexander Hamilton Institute.

"The odds appear to favor a considerable increase in pay scales."—Brookmire, Inc.

PRODUCTION

Despite cutbacks and cancellations, production continues to rise, last month's total being about 41 per cent above that of November, 1941. And while lack of labor is exercising a delaying influence on the production of civilian goods, over-all business activity is still inching up. But it is generally admitted that the country is now very close to the absolute ceiling.

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Trends in Business

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Production of warplanes reached 9,000 in November, an average of one every five minutes, and a rate of 108,000 a year. Output of merchant ships, it is estimated, is nearly five times that of 1939.

MONEY AND CREDIT

Business failures dropped from 169 in October to 155 in November, Dun & Bradstreet data reveal, and are now at the lowest point on record. These figures, the Cleveland Trust Company points out, reflect the artificial atmosphere in which business is now operating, with competition at a minimum because the government is purchasing from high- and low-cost producers alike. A comparable record was achieved only in the last years of the Civil War and during World War I. A slight slackening of inflationary pressure is seen by the National City Bank in the fact that the Treasury is now in a position to finance its requirements for a considerable period without selling new securities to commercial banks. This means, the bank's bulletin declares, that the quantity of deposit money created by the extension of bank credit will no longer rise at the former rate.

CONSTRUCTION

Building permits rose more than seasonally from September to October, and the November figure (Dun & Bradstreet 215 cities) was \$48,361,780, a sharp increase over the November, 1942, total. For the first 11 months of 1943, however, permit values were 38.5 per cent below the comparable period of last year.

AGRICULTURE

For the first ten months of this year total income from crops was 26 per cent higher than for the same period in 1942, and livestock and products receipts were 27 per cent higher, the U. S. Bureau of Agricultural Economics reports. Prospects are that the farmer's purchasing power will be the highest on record, since prices of goods have not risen enough to offset more than a part of the income increase.

LABOR AND WAGES

Total non-agricultural employment dropped off again in November, but employment in manufacturing increased, with the automobile industry registering the largest gain in the durable goods field. The larger than usual upswing in

retail buying in November resulted in a rise in retail employment.

Average hourly earnings of manufacturing workers, according to Bureau of Labor Statistics, advanced 11.3 per cent between October 2, 1942, and September 15, 1943, compared with a cost of living increase of 5.2 per cent.

DISTRIBUTION

Dollar volume of department store sales in October and the first half of November was up 10 per cent from the corresponding period last year, and holiday buying was brisk, with retail sales volume comparing favorably with the high 1942 level.

In Christmas buying luxury items and apparel lines have held the leading positions, and the trend has been toward higher-priced goods.

COMMODITY PRICES

Wholesale commodity prices advanced moderately in the early part of December as prices of fruits, vegetables, and coal rose. After moving gradually downward since the October 15 high, the Dun & Bradstreet daily wholesale price index reacted mildly in mid-December, rising to 170.75 from 169.64 a month earlier.

FOREIGN TRADE

Merchandise exported from the United States in the first nine months of 1943 totaled \$9,197,000,000, compared with \$5,575,000,000 in the first nine months of 1942. September's total amounted to \$1,233,000,000, or only slightly less than the record figure of \$1,251,000,000 in July, and was 68.4 per cent above the figure for September, 1942. Imports amounted to \$2,438,000,000 in the first nine months of the year.

BUSINESS PROFITS

A study made by the New York Stock Exchange reveals that, for the first nine months of 1943, the net income of 385 companies with common stocks listed on the Exchange was 11.4 per cent above the figure for the corresponding period last year. In 1942, a similar study showed net earnings off 16 per cent from 1941.

SOURCES:

ALEXANDER HAMILTON INSTITUTE
BROOKMIRE, INC.
BUSINESS WEEK
CLEVELAND TRUST COMPANY
DUN'S REVIEW
FEDERAL RESERVE BANK OF
NEW YORK
NATIONAL CITY BANK

HEARD AT AMA MEETINGS

STRESS INTERVIEWS

In a Midwestern city, psychologists have been experimenting with the "stress interview" for policemen, Edward N. Hay, Personnel Officer, The Pennsylvania Company, reported at the Office Management Conference, October 28-29, in New York City.

In this type of interview, four psychologists conduct a carefully planned heckling of the subject, and make every effort to upset him. The idea is, of course, to see how he reacts to stress situations.

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OVER-ALL INCENTIVES

When a worker loafs on the job at the Grumman Aircraft Corporation plant, fellow employees tell him, "Get your hand out of my pocket." The plant-wide incentive system, based on over-all production gives everyone an interest in promoting efficiency.

F. T. Kurt described the system at the Autumn Production Conference, November 16-17, in New York. Rapid expansion in the aircraft industry made it impossible to use time study, hence the bogey was simply arrived at. The total poundage produced in a given period—the second quarter of 1943—was divided by the total number of work hours to produce the standard. Incentive pay, which is a percentage of base pay, is based on over-all production over standard.

* * *

WHY EMPLOYEES QUIT

Reasons for leaving given by employees in exit interviews, as reported by T. O. Armstrong, Manager, Industrial Relations, Westinghouse Electric & Manufacturing Company, at the Autumn Production Conference;

"No Coca-Cola on the third shift."

"I have flat feet, and your cement floors hurt them."

"You guys oversold me. You sold me the good side of the job, but you didn't tell me the bad side. That bad side ain't worth it."

"Leaving for farm. I have about 56 hogs I am raising, and I feel I must devote all my time to it."

The last one was found to be lying—he was not going back to the farm at all, but trying to duck the draft. Also discovered was one man who was ashamed to go to work because of two black eyes.

RESEARCH DEPARTMENT

**FOR: PERSONNEL AND LINE OFFICERS
FROM: AMA**

Over the years, the AMA has been in a favorable position to view the development of what now ranks as a major administrative function—the management of the manpower of industry and business. To those of us who witnessed the first tentative approaches to the introduction of personnel activities which today are accepted without question, this “coming of age” is indeed an inspiring experience. However, our enthusiasm has not obscured the fact that much pioneering remains yet to be done before sound human relations are the general rule. Much of the efforts of the Association are, in fact, directed toward the advancement of this goal.

All of which serves to introduce a new research report scheduled to reach company members of the AMA early in January. Entitled “How to Establish and Maintain a Personnel Department,” the study has a twofold objective. For the company presently engaged in setting up a personnel department, it is a guide to effective organization of the staff and physical facilities, and to the planning and developing of a constructive program of activities. Where the personnel department is already an established unit, the study should serve as a standard against which current policies and procedures may be evaluated. Throughout the study, an attempt has been made to preserve a nice balance between the needs of large and small establishments, so that the contents may be equally useful in both situations.

Some of the high-light sections in the study are:

(1) *Selecting the Personnel Officer:* One of the management's first responsibilities in organizing the personnel department is the all-important one of choosing a competent individual to direct the department. Line executives should, therefore, find the discussion of the desirable qualifications of the personnel officer in terms of education, previous experience, and personal traits exceedingly valuable.

(2) *Formulating a Master Plan of Action:* One recommendation made by progressive executives emphasizes the advantage of having a written plan of the proposed activities, with the objectives to be attained defined for a stated period. The strategy of formulating such

a plan is outlined, and an actual master plan developed by one company for its own guidance is presented.

(3) *Writing the Personnel Policies:* If any one long-term activity takes precedence over all others in the development of a new personnel program, it is the formulation of a statement of the policies which are to govern the relations between management and men. To this end, the procedures in policy-making are described. The personnel officer's role in this activity and the media for presentation of the policies are discussed at some length.

(4) *Translating Personnel Policies into Practice:* A comprehensive descrip-

tion of procedures in employment, training, safety, health, employee benefits and services, employer-employee relations, personnel research and other aspects of personnel administration forms the crux of the presentation. Here is a synthesis of the thinking and practice of line and staff executives engaged in the promotion of good industrial relations in outstanding companies throughout the country.

(5) *Designing the Personnel Records:* Consideration is given to the selection and design of essential personnel records and several “key” records are illustrated.

Finally, an annotated bibliography, together with scattered footnotes, indicates sources of valuable supplementary information representing a wealth of specific detail on organization and method to which the interested executive may have reference.

WHAT MANAGERS ARE SAYING

REEMPLOYING VETERANS

Industry is unquestionably in a better position at the moment, in the minds of the general public, than it has been for quite some time. If we are to take full advantage of this and prevent the pendulum from swinging the other way, it will mean considerable thought and planning, starting right now.

The reemployment of veterans is a very important problem, but our general treatment of them, whether reemployed or not, and our attitude toward them, may be deciding factors in the maintenance of harmonious labor-management relationships. It seems to me that every possible effort should be made to integrate these men back into our workforce, regardless of seniority or anything else. They entered the service of their country with the very good possibility of losing their lives, whereas those who remained were comparatively safe and very well paid.—*Personnel Director.*

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DISAPPEARING JOBBERS

Our distribution is through independent distributors to each of whom we assign an exclusive territory, and naturally, in the very nature of the business, we sometimes have occasion to secure a new distributor in a given territory.

When I first came here, it was a relatively easy matter to go into a city of, let us say, 100,000 population, and find 10 or 12 competent men of the right standing with sufficient capital to carry our line. Over the succeeding years, however, it has been our experience that, while 10 or 12 people with the right standing are still available, the number of those with sufficient capital has dwindled to one or two. This dwindling has been progressive throughout the past nine years.

I have discussed this subject with other men who distribute through such outlets, and it seems to me that the experience is common. The increased cost of living,

the lessening purchasing power of the dollar, and the present high taxes seem to be eliminating the average well-to-do individual who was formerly in a position where he could enter this lucrative field.

I should like to know the facts of the situation. Is the small independent jobber or distributor disappearing? If so, what are the causes? How can we finance distributors who are capable but lack capital?

Of course larger companies can and may go into direct distribution. But what is the smaller company that deals in specialized products for a relatively thin market going to do?—*Oil Company Executive.*

* * *

Continued shortage of raw materials is inevitably going to make all distributor operations marginally difficult, weakening the financial structure so that there may be some question whether or not our distributors can finance marketing operations which will make available the tremendously increased output which is being freely predicted. They will be further handicapped if they are caught in a squeeze of continued price ceilings and increased costs of materials and labor.—*Sales Manager.*

* * *

KEEPING SALES-MINDED

I think one of the major problems facing management and sales executives today is how to change the spirit of the organization from one of allocation back to one of sales. As much as we have tried to remain sales-minded, in face of emergencies, restrictions, rationing, and other problems, we have drifted into thinking in terms of allocation of short products which are well in demand, rather than in terms of selling what we do have.

One of our stores recently attracted my attention because of the phenomenal sales increases which it was enjoying. I found the store manager and his staff really keyed up on the possibilities of sales, although they had only a limited supply of a large number of items. There were terrific displays of potatoes, then abun-

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ACTIVITIES of the AMA

Conference in New York January 12-13 To Map Postwar Marketing Conditions

**Distribution Trends, Reorganization of the Sales Staff,
Outlook on Government Controls Will Be Among Topics**

Postwar conditions that the marketing executive must take into account in his planning will be charted at the AMA's annual Marketing Conference, set for January 12 and 13 at the Waldorf-Astoria, New York City.

Sessions will open at 9:45 January 12, with an address by Don G. Mitchell, AMA Vice President in Charge of the Marketing Division and Vice President, Sylvania Electric Products, on "Overhauling the Company's Sales Organization." Following this, Dr. Paul H. Nystrom, Professor of Marketing at Columbia University and President of the Limited Price Variety Stores Association, Inc., will analyze "Major Trends in Distribution," including the relative roles of retailer, wholesaler, jobber, chain store, mail order house, and co-operative.

The afternoon's session will be devoted to consideration of changing markets. Speakers will be Arthur C. Nielsen, President of the A. C. Nielsen Company, who will talk on the "Permanent Effect of Wartime Controls on Consumer Buying Habits"; S. Morris Livingston, of the Bureau of Foreign and Domestic Commerce, who will discuss "Income, Buying Power, and Postwar Markets"; and Dr. Donald Davenport, of the Bureau of Labor Statistics, whose subject will be "The Coming Pattern of Industrial Employment."

New products and methods of advertising them and market research will be discussed on the morning of January 13. Addresses will include: "What Consumers Want in Postwar Products," by William J. Moll, Geyer, Cornell & Newell, Inc.; "Products, Markets and Research" by Arthur P. Hirose, Director of Market Research and Promotion, McCall Corporation; and "New Complexions in Advertising" by Raymond Rubicam, of Young & Rubicam.

The luncheon speaker will be Richard V. Gilbert, Economic Adviser of the Office of Price Administration, who will talk on "Governmental Controls over Marketing After the War."

The final session on "Rebuilding the Sales Staff," is designed as a "refresher course" in the fundamentals of selection, training, and compensation pro-



Don G. Mitchell

grams. J. E. Smith, Employment Supervisor, General Personnel Department, Armstrong Cork Company, will speak on selection; R. H. Moulton, Personnel Manager, General Foods Sales Company, Inc., on training; and Burton Bigelow, head of the Burton Bigelow Organization, on compensation.

Additional Space Arranged For Packaging Exposition

All exhibit space in the Packaging Exposition of 1944 has been leased, and in view of continued demand from companies who have been unable to obtain booths, AMA has made arrangements for a small additional area to accommodate these concerns.

The Packaging Exposition is to be held in the Palmer House, Chicago, March 28 to 31, inclusive, 1944. Since its inception in 1931, the Exposition has been held annually under AMA sponsorship.

Exhibits by the armed forces, as well as by governmental war agencies, will be included.

Personnel Conference At Chicago Scheduled For February 9, 10, 11

The AMA's Winter Personnel Conference, scheduled for February 9-11 at the Palmer House in Chicago, is expected to attract more than 2,000 executives from all parts of the country.

Sessions are being planned under the direction of Lawrence A. Appley, AMA Vice President in Charge of the Personnel Division and Executive Director and Deputy Commissioner of the War Manpower Commission.

Among topics will be "The War Manpower Outlook," "Reemploying the Veteran," "War Labor Board Developments," "An Objective Scrutiny of Personnel Administration," and "Wage and Salary Administration."

CONFERENCE SCHEDULE

Marketing	January 12-13 Waldorf-Astoria New York City
Personnel	February 9-11 Palmer House Chicago
Finance	March 1-2 Hotel New Yorker New York City
Packaging	March 28-31 Palmer House Chicago
Production	April 19-20 Hotel Drake Chicago
Insurance	May 24-25 Hotel New Yorker New York City
Annual Meeting June 8	Hotel Pennsylvania New York City

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dant, and of canned soup, of which the store had received its winter supply.

"But, Bill," said the Superintendent, "That's all the soup you will get. Then what?"

"It was sent here to be sold, wasn't it?" answered Bill, "And when it's gone there'll be something else to sell."

His point of view is worth noting, especially since he has been setting new sales records for months.—Tea Company Executive.

